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SUBJECT: RUSSIAN UNIVERSITIES FAILING TO MEET LABOR MARKET DEMAND

¶1. (U) This message is sensitive but unclassified and not for internet distribution. It is the first in a series examining Russia's university reform process.

Summary

¶2. (U) Russia's universities are failing to keep pace with today's labor market demands. Instead, they are maintaining a Soviet-era focus on theoretical knowledge and academic learning. While the number of students and both public and private institutions has grown markedly, a lack of investment in faculty and administration training, curriculum development, and facilities has left half of graduates unable to find or woefully unprepared for jobs in their fields. Recognizing the deficiencies, the GOR has undertaken reforms, including planned accession to Europe's Bologna Process (a standardized modernization process for European universities) by 2010 and introduction of a nationwide exam for high school graduates in 2009. Further, with education as a National Priority Project since 2006, the GOR has injected cash and created new types of universities to modernize the system.

University Education: State of Affairs

¶3. (U) Russia's university education system has failed to keep pace with the country's economic growth and with globalization in general. After the collapse of the USSR, the GOR focused more on safeguarding the education system's previous achievements and strengths rather than on modernizing the system. As such, Russia has maintained most of the features of the Soviet university education system, including its sectoral structure and high centralization - particularly in the areas of funding mechanisms, quality assurance, and faculty training.

¶4. (U) Some changes have occurred though. For example, since the early 1990s, the largest change has been the expansion of universities' administrative and academic autonomy, especially in the areas of research, admissions, non-budgetary financing, student fees, and international cooperation. Over the past 17 years, the country has moved from universal free higher education to establishing private universities and accepting some paid students at public institutions. In early 2000, the GOR joined the Bologna Process (the creation of a common European education space) with the aim of bringing its university system in line with European and global standards.

¶5. (U) In 2006, the GOR also started to implement the National Priority Project in Education, with the goals of support for innovation, improving cooperation between universities and businesses, increasing financial stability, and introducing a more transparent system of quality assessment. Under the NPP, some universities, departments, and professors have made efforts to upgrade curricular and administrative processes through extended use of information technologies, access to leading research, and collaboration with colleagues in Russia and abroad.

Growth without Modernization

¶16. (U) The number of universities in Russia continues to increase as new regional universities have opened, affiliates have been institutionalized, and large universities have expanded their networks of local branches. Since 1990, the number of universities has doubled. There has also been a concomitant increase in the number of students, which has almost tripled. Furthermore, since 1995 the number of private universities has more than doubled and the number of students attending them has increased eight-fold.

¶17. (U) The rapid growth in the number of universities and students over the past 15 years has brought with it a difficult challenge - how to maintain and ultimately improve the quality of education. The difficulty of this challenge has been exacerbated by the fact that the expansion in universities and students has not been accompanied by adequate investments in staff training, remuneration, teaching materials, equipment, and infrastructure.

¶18. (U) The inability of the university education system to evolve as quickly as the labor market has resulted in a severe mismatch between the skills taught in school and the skills demanded by Russia's employers. One of the underlying reasons for this mismatch lies in the fact that the university system is more oriented toward the demands of consumers (i.e., students and their families), rather than the demands of the labor market. In addition, the structure of Russia's labor market has changed significantly. Employment has shifted from manufacturing and agriculture to trade and services.

¶19. (U) A few of the more elite and/or progressive universities have been able to adapt and become responsive to the needs of the modernizing economy, but most remain grossly deficient. According to Minister of Education and Science Andrei Fursenko, only 15 percent of all Russian universities are considered "high standard," that is providing training that fully meets the demands of the labor market. A quarter of Russia's adult population (25.6 percent) has a university degree (higher than the OECD average and similar to the rates of Australia, Japan, Canada, and the Netherlands), but half of all graduates fail - or don't try - to find work within their field of specialization and require special training after entering the workforce. This mismatch between education and the labor market has, in turn, led to lower economic returns on, and a devaluation of university education.

¶10. (U) Universities for the most part lack the infrastructure that would meet modern requirements, with 21 percent requiring complete overhauls. This includes computer and telecommunications facilities, laboratory equipment, informational and methodological resources (including libraries and electronic databases), as well as classroom and dormitory conditions. Laboratory equipment in most technical universities has not been modernized for almost two decades. Today the majority of medical students use the same textbooks and practical guidelines that were used twenty years ago. Another key weakness in Russia's university system is the insufficient qualifications of much of the academic and managerial staff. This reflects that fact that talented graduates prefer to work in other sectors of the economy, where compensation is higher than it is in the education system. Age is therefore also becoming a problem, as 21 percent of the faculty is now older than 60.

¶11. (U) Other challenges include weak links among university research institutions and industry, a lack of long-term sustainable funding sources, and egalitarian access to quality university education (with high costs of both formal and informal education services and low territorial mobility of students). The Russian system of university education has not so far played a significant role in applied R&D and innovations. Primary tasks in this sphere include diversifying funding sources, stimulating the demand for qualified research staff, streamlining the regulatory environment for R&D, securing intellectual property rights, and introducing methods of assessing the effectiveness of R&D.

¶12. (U) Since the turn of the century, with the general macroeconomic improvement in the national economy, public expenditures on university education have been gradually increasing. The major problem today is not as much in the amount of public funding (although still low in comparative perspective) as in the

inefficient financial management and allocation mechanisms, including the inadequate compensation system. In addition, the development of a system of state support for education via credits and the introduction of various student scholarships and grants are only at a very early stage of development. The development of endowment funds ultimately may provide the necessary basis for long-term sustainable funding of Russian universities. However, endowment legislation became effective in Russia only in February 2007, and the endowment culture in the university system is only in an embryonic condition.

Reform Efforts

¶13. (U) Bologna Process: As part of the government's efforts to modernize the university education system, Russia adopted a law on new university education standards in 2007. These standards are scheduled to come into force by 2010, when Russia's completes its accession to Europe's Bologna Process. The new standards include moving away from the five-year university education system inherited from the Soviet Union (with the degree of "specialist") to the four year undergraduate (Bachelor's) and two year graduate (Master's) systems that prevail in European university systems. These changes shift the balance of university education from a system based on academics and knowledge to one based on practical components and competencies. The shift from a specialized five-year program to a two-level system is expected to improve the link between what universities teach, especially at the graduate level, and what the labor market demands.

¶14. (U) Although Russia signed the Bologna Declaration in 2003, the practice of introducing individual features of the new system already had started as early as 1992. After an initial wave of enthusiasm, however, the process has dramatically slowed down. Today only 12 percent of graduates have a Bachelor's degree and only 4 percent have a Master's degree. Critics of the Bologna Process fear that the structural changes that the system demands will destroy positive aspects of the Russian university system, especially its emphasis on academics, while failing to improve the disconnect between university education and the labor markets.

¶15. (U) Faculty and administrative personnel at many of the universities oppose the reforms, and feel they are being excluded from influencing the direction of university education in Russia. They disagree with the proposed reduction in Master-level programs, the shift to mostly paid graduate education, and feel two years is

insufficient to redesign curricula. . Some observers estimate that up to 80 percent of university faculties and administrations oppose the reforms. Businesses, however, welcome them. According to research done by the UNITY HR Agency, up to 80 percent of businesses support further reform of the university system and an equal share prefer to recruit graduates with a Bachelor's degree.

¶16. (U) The Unified State Exam and NPP: In 2001, Russia launched the Unified State Exam (Russian abbreviation - EGE)- a nationwide test for high school graduates and university applicants. After a six-year pilot period, in 2009 all high school graduates will take the exam and results will be mandatory for all Russian university applications. EGE is primarily aimed at equalizing territorial and economic differences in test results and university entrance. Despite some positive results in the diversity of social backgrounds among first-year students at universities, EGE is still a subject of debate, primarily due to the quality and range of the test questions and technical problems. In addition, some teachers have strong reasons to oppose the reform since it threatens their illegal income both in direct bribes and payments for entrance exam preparations.

¶17. (U) The National Priority Project (NPP) on Education, which began in 2006, is meant to help modernize Russia's university education system through a variety of measures, including support for innovation through cash disbursements, limited structural reforms, and the creation of new types of universities. In 2006-2008, for example, the Russian Government rewarded 57 universities with RUB 30 billion (\$1.25 billion) for creating innovative education programs. Another component of the NPP is the creation of "federal" and "national" universities. The federal universities in Krasnoyarsk (Siberia Federal University) and

Rostov-on-Don (Southern Federal University) are expected to serve as the models for an eventual network of federal universities (one per each federal district) based on the integration of science, business, and education (with the involvement of venture funds and techno-parks). The NPP also envisions the creation of several elite business schools to increase Russia's competitiveness in the international economy. So far, two such schools have been identified: the Skolkovo Moscow School of Management and the Graduate School of Management at St-Petersburg State University.

Comment

¶18. (SBU) Infrastructure shortcomings, deficits in qualified teaching and management staff, weak linkages between the education system and the labor market, and the lack of buy-in from the university community itself will continue to pose significant challenges for university education in Russia. However, the GOR's stated commitment to reform, backed up by relatively substantial public expenditures and concrete programs, as well as positive trends in some universities, does offer some hope for the long-term.
End comment.

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